

Development and Implication of Mega Regional Trade Agreements -- APEC Region as an Example

Roundtable Discussion

Shin-yi PENG

Professor of Law, National Tsing Hua University (NTHU)

Commissioner, National Communications Commission (NCC)

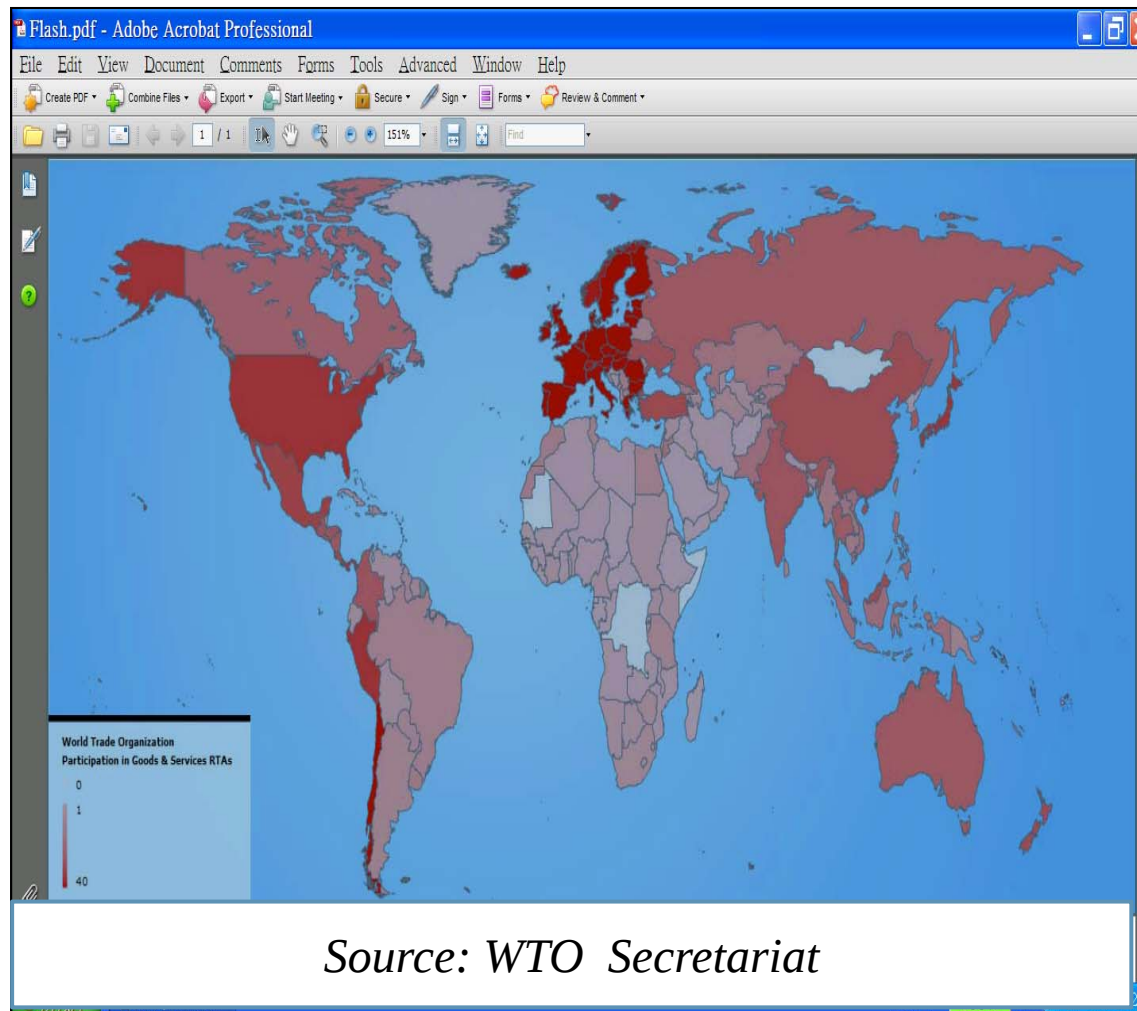


Outline

- The Reality of RTAs
- A New Wave of Regionalism
 - Mega RTAs--Good Things Come In Big Packages?
- A New Approach to Move from Fragmentation towards Coherence
 - A stepping Stone?
- Conclusion
 - Should We Settle with the Second Best?

The Reality of RTAs

The Reality of RTAs



- As of the end of January 2014, some 583 notifications of RTAs had been received by the WTO.
- Among these, 377 were in force.
 - Complex trade pattern of the supply chains

The Reality of RTAs

- Jagdish Bhagwati:
 - spaghetti bowl
 - the explosive proliferation of RTAs that creates a messy maze of preferences and rules of origins.

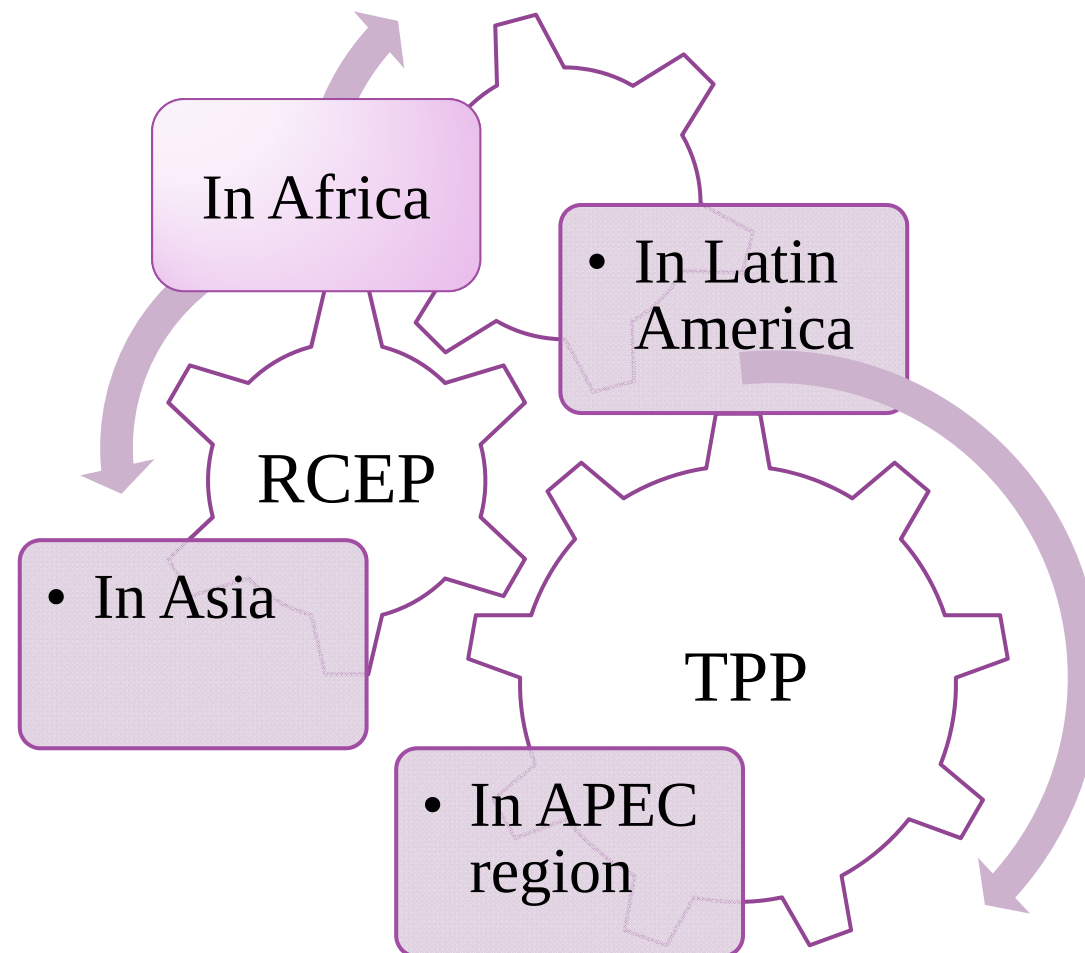


A New Wave of Regionalism: Mega RTAs

- Good Things Come In Big Packages?

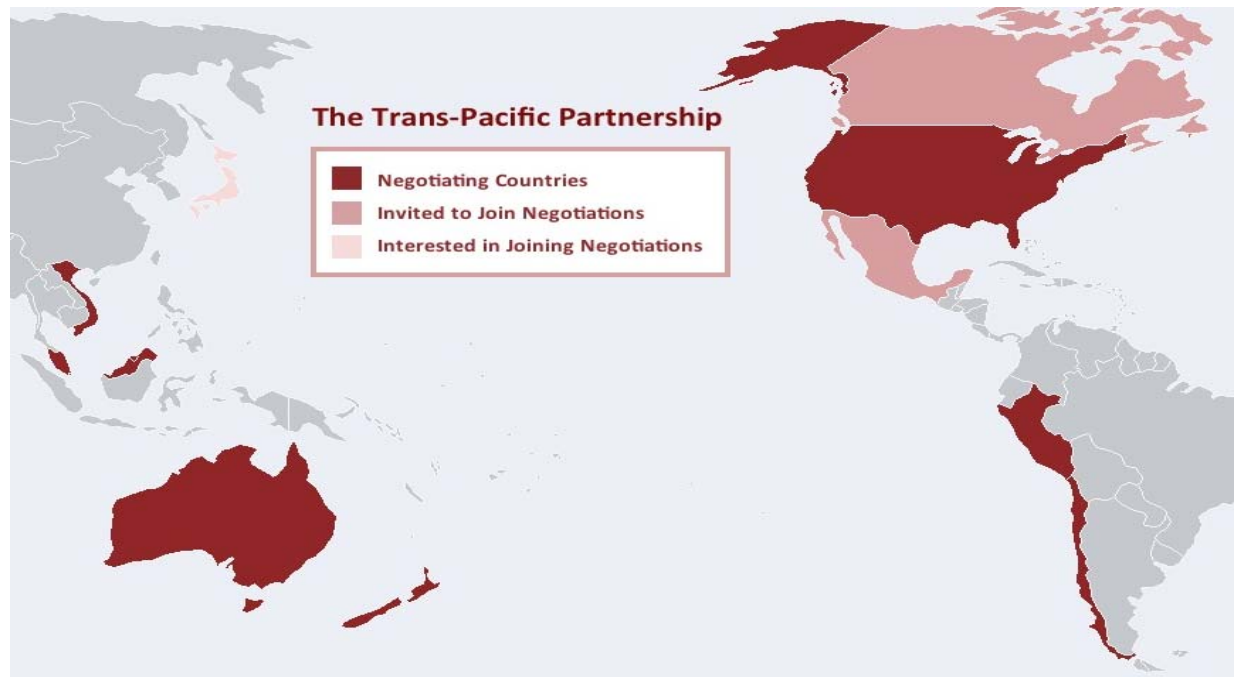
A New Wave of Regionalism

— Mega RTAs



Mega-RTAs in the Region

- TPP: Australia, Brunei, Chile, Canada, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States, and Vietnam.
- Japan's entry: driving force to East Asia.



Source: WTO Secretariat

Mega-RTAs in the Region

- RCEP: Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam (ASEAN) + China, Japan, South Korea, Australia, India, and New Zealand
- GDP: \$17 trillion, 40% world trade
-



Source: ASEAN website

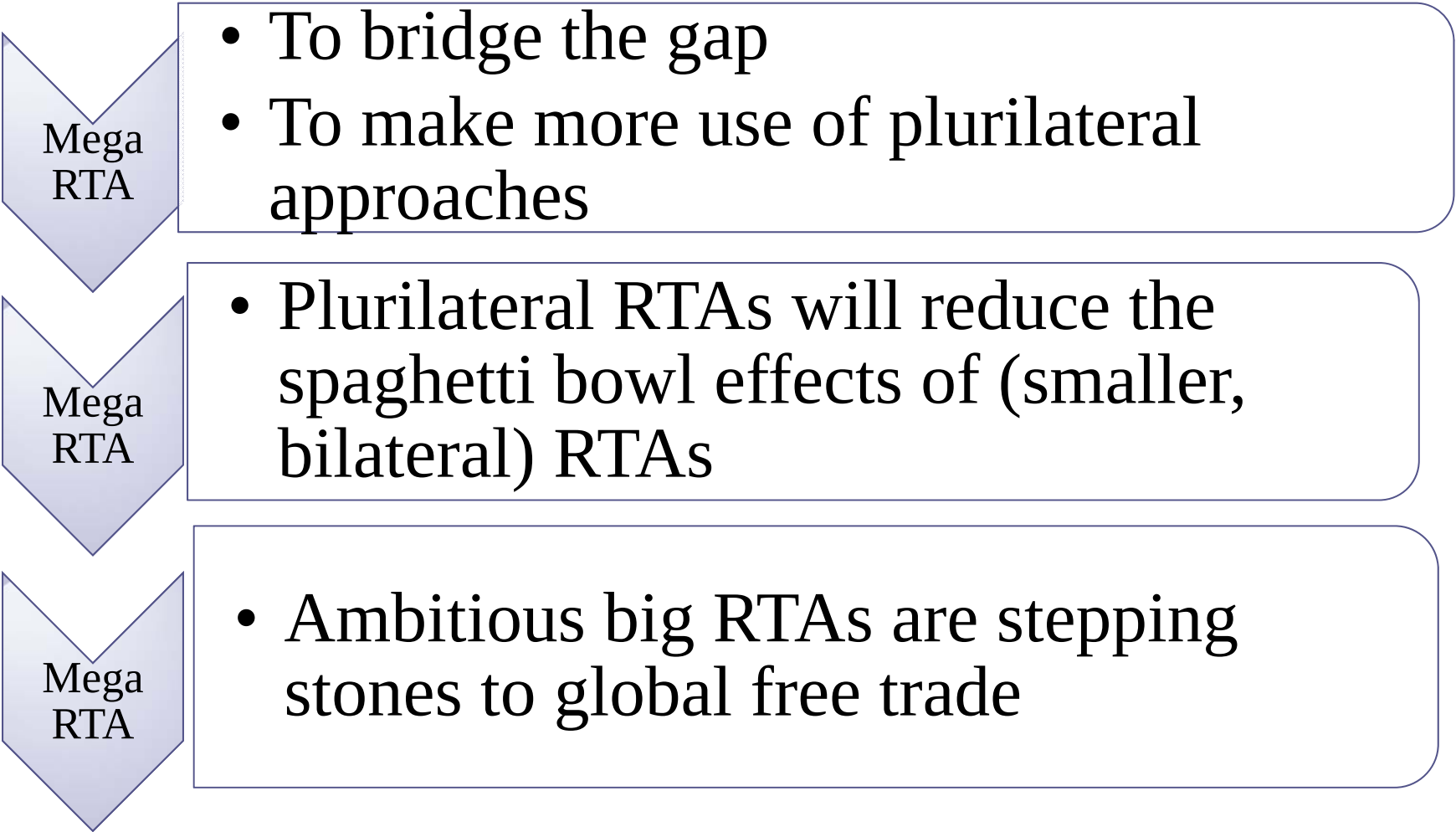
Mega RTAs

- A New Approach to move from Fragmentation towards Coherence?

A New Approach to move from fragmentation towards coherence?

- RTAs have been proliferating in Asia.
- 70 RTAs were concluded in Asia by 2012
 - 64 are currently in effect
 - 84 are either under negotiation or proposal
- Overlapping and complex RTA arrangements in Asia
 - tariff schedules, exclusion lists, and rules and standards

A New Approach to move from fragmentation towards coherence?



Mega RTA

- To bridge the gap
- To make more use of plurilateral approaches

Mega RTA

- Plurilateral RTAs will reduce the spaghetti bowl effects of (smaller, bilateral) RTAs

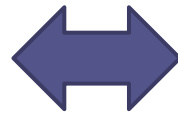
Mega RTA

- Ambitious big RTAs are stepping stones to global free trade

To “internalize” regionalism --multilateralize/plurilateralize regionalism

Multilateralism

- difficult to conclude negotiations that “bind all WTO Members equally”.



Bilateralism

- Traders being subjected to multiple conflicting requirements all over the world.

Mega RTAs:

To supersede existing bilateral agreements and develop common rules (such as for rules of origin) to be applied by all the parties to the agreement.

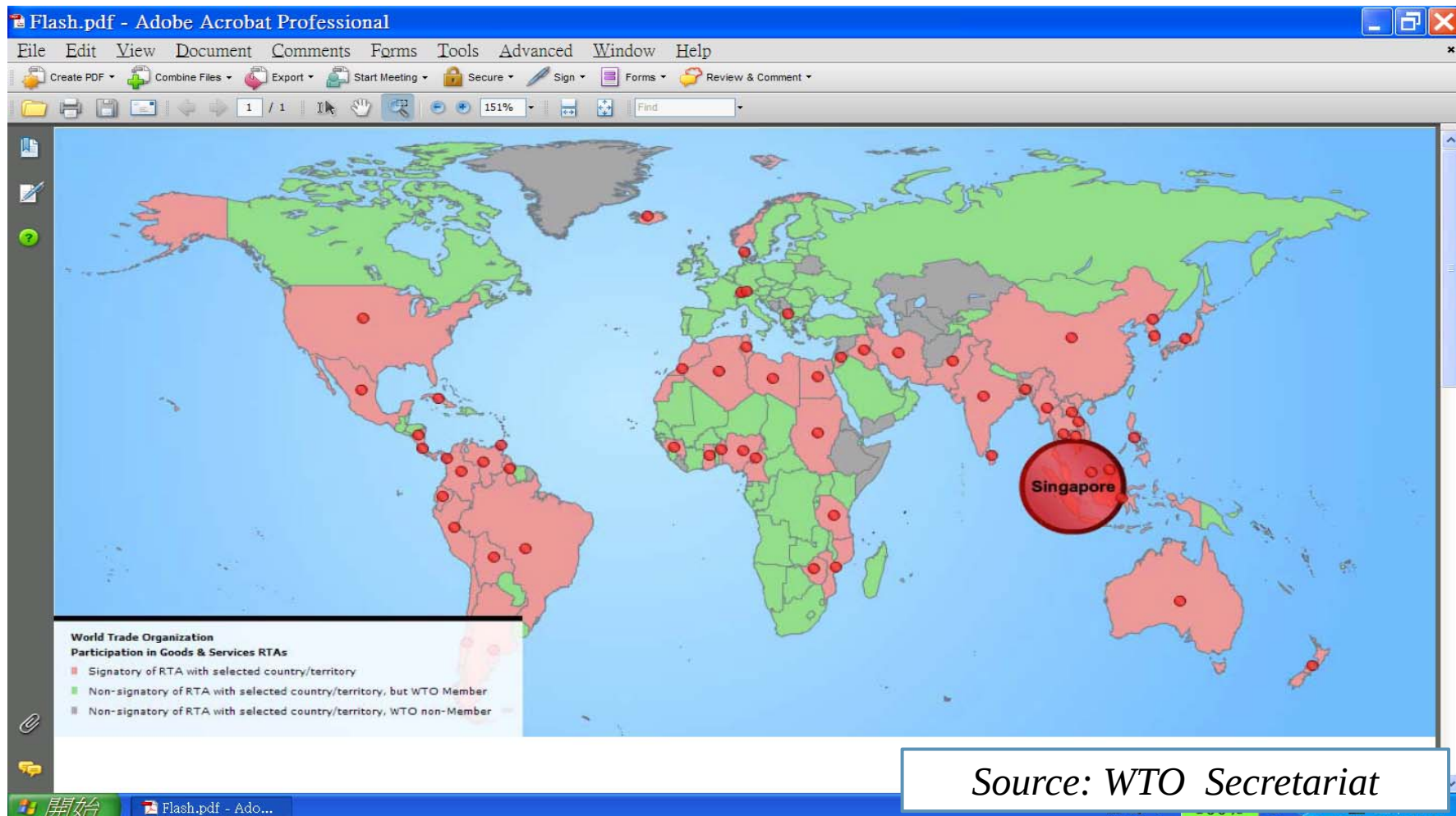
Will TPP or RCEP Reduce the
Spaghetti Bowl Effects of
(smaller, bilateral) RTAs?

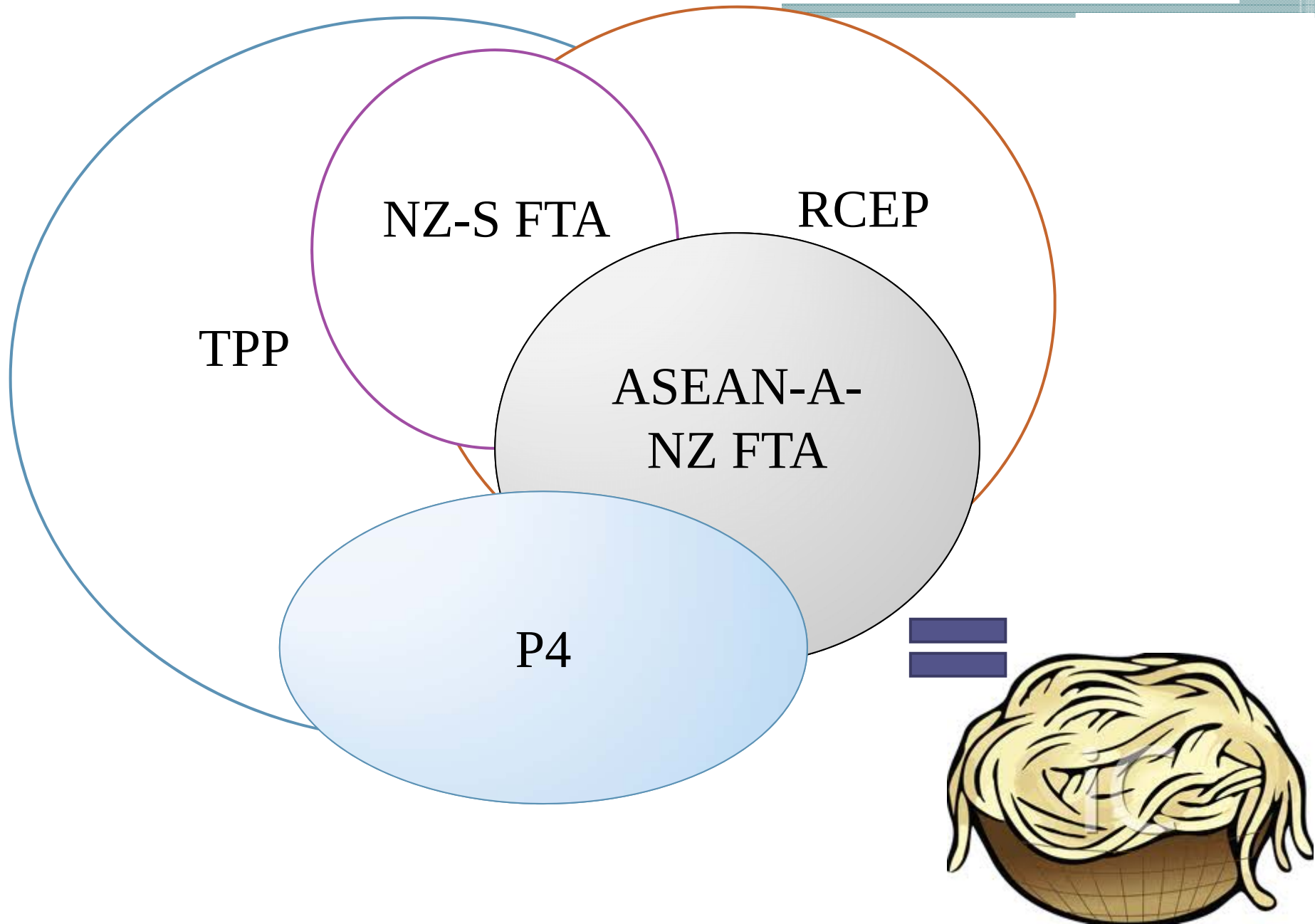


To Reduce the spaghetti bowl effects?

- Could the consolidation of these multiple RTAs into a broad-based, single big Asia-wide RTA—such as TPP or RCEP, help mitigate the harmful effects resulted from smaller RTAs?
 - there are many existing FTAs amongst the participants
 - share a significant membership overlap
 - Australia, Brunei, Japan, Malaysia, New Zealand, Singapore and Vietnam

Singapore as an example





Are these Ambitious Plurilateral
Mega- RTAs Stepping Stones to
Multilateral Global Free Trade?



Mega-RTAs are in fact a stepping stone towards global free trade?



The future success of those Mega-RTAs depends on:

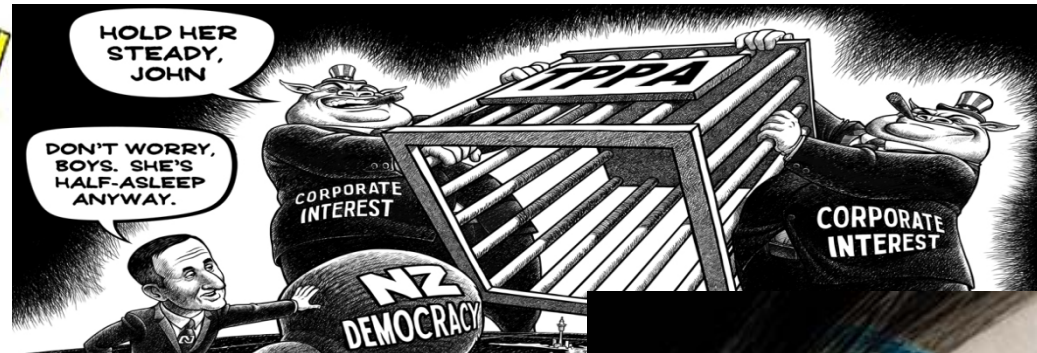
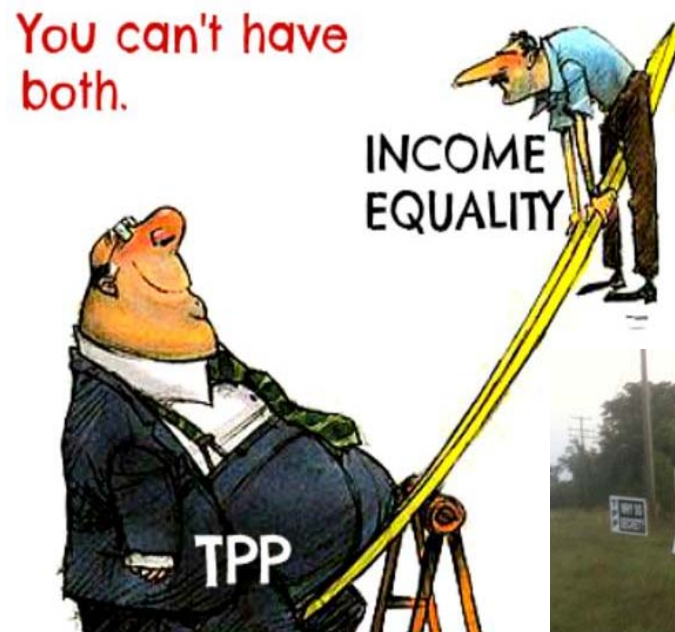
- are there sufficient mutual gains to be achieved by cooperating within partners.
- are these gains distributed relatively symmetrically.

How the struggle of TPP participants to find a common landing zone

- **Sensitive MA**
 - rice, beef, pork, wheat, sugar and dairy
 - GP
 - apparel and shoes
- **Disciplines Against Currency Manipulation**
- **Labor and Environmental Standards**
- **State Owned Enterprises**
- **Patent Rules and Transparency on Medicine Pricing Rules**
- **Copyright Rules**
- **Financial Regulation and Stability**
- **Investor-State Dispute Resolution (ISDR)**
- **And others**

The potential to expand beyond the current set of negotiating partners...

You can't have both.



Source: Public Citizen

Conclusion

- Settling with the Second Best?

Are we ready to settle with the second best?

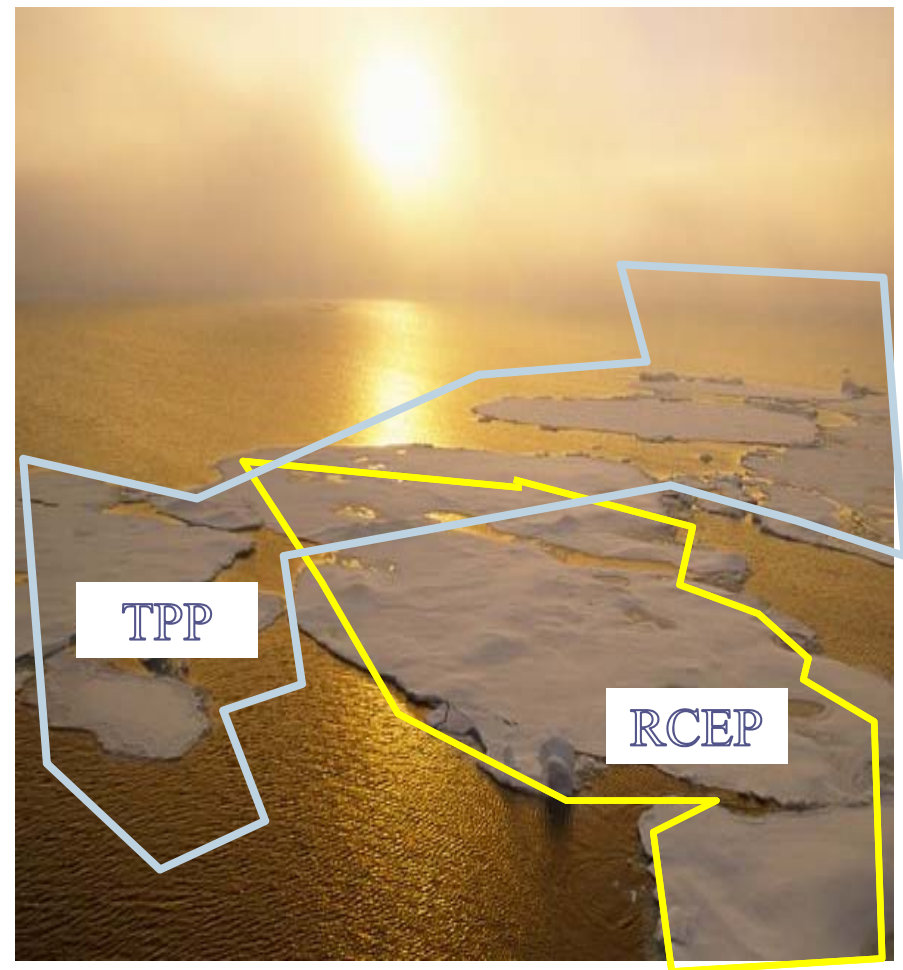
- Has there been a loss of momentum towards mega-RTAs due to the forward momentum from Bali?
 - Doha Round and the Bali agenda remains the top priority.
- Mega RTA is now seen by political leaders as an alternative to multilateralism
 - plan B is becoming plan A

WTO, Bilateralism, and Mega-RTAs

If the river is completely ice free, boats can sail freely.

If the river is completely frozen, cars can be driven across it.

But when in the intermediate range and the river is filled with mega ice blocks, transportation is difficult and costly....





Shin-yi PENG

e-mail: sypeng@mx.nthu.edu.tw

website: <http://www.sypeng.idv.tw>

SSRN author page: <http://ssrn.com/author=723329>

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